Senate

General Assembly

File No. 74

February Session, 2006

Substitute Senate Bill No. 211

Senate, March 22, 2006

The Committee on Energy and Technology reported through SEN. FONFARA of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING RENEWABLE ENERGY.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Subdivision (26) of subsection (a) of section 16-1 of the 2006 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2006*):

(26) "Class I renewable energy source" means (A) energy derived from solar power, wind power, a fuel cell, methane gas from landfills, ocean thermal power, wave or tidal power, low emission advanced renewable energy conversion technologies, <u>waste heat recovery systems installed on or after July 1, 2006, that produce electrical or thermal energy by capturing preexisting waste heat or pressure from industrial or commercial processes,</u> a run-of-the-river hydropower facility provided such facility has a generating capacity of not more than five megawatts, does not cause an appreciable change in the river flow, and began operation after July 1, 2003, or a biomass facility, including, but not limited to, a biomass gasification plant that utilizes

land clearing debris, tree stumps or other biomass that regenerates or the use of which will not result in a depletion of resources, provided such biomass is cultivated and harvested in a sustainable manner and the average emission rate for such facility is equal to or less than .075 pounds of nitrogen oxides per million BTU of heat input for the previous calendar quarter, except that energy derived from a biomass facility with a capacity of less than five hundred kilowatts that began construction before July 1, 2003, may be considered a Class I renewable energy source, provided such biomass is cultivated and harvested in a sustainable manner, or (B) any electrical generation, including distributed generation, generated from a Class I renewable energy source.

Sec. 2. Subsection (a) of section 16-50k of the 2006 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2006*):

(a) Except as provided in subsection (b) of section 16-50z, no person shall exercise any right of eminent domain in contemplation of, commence the preparation of the site for, or commence the construction or supplying of a facility, or commence any modification of a facility, that may, as determined by the council, have a substantial adverse environmental effect in the state without having first obtained a certificate of environmental compatibility and public need, hereinafter referred to as a "certificate", issued with respect to such facility or modification by the council, except fuel cells with a generating capacity of ten kilowatts or less which shall not require such certificate. Any facility with respect to which a certificate is required shall thereafter be built, maintained and operated in conformity with such certificate and any terms, limitations or conditions contained therein. Notwithstanding the provisions of this chapter or title 16a, the council shall, in the exercise of its jurisdiction over the siting of generating facilities, approve by declaratory ruling (1) the construction of a facility solely for the purpose of generating electricity, other than an electric generating facility that uses nuclear materials or coal as fuel, at a site where an electric generating facility

operated prior to July 1, 2004, (2) the construction or location of any fuel cell, unless the council finds a substantial adverse environmental effect, or of any customer-side distributed resources project or facility or grid-side distributed resources project or facility with a capacity of not more than sixty-five megawatts, so long as such project meets air and water quality standards of the Department of Environmental Protection, and (3) the siting of temporary generation solicited by the Department of Public Utility Control pursuant to section 16-19ss, as amended.

Sec. 3. Subsection (b) of section 16-243a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2006*):

(b) Each electric public service company, municipal electric energy cooperative and municipal electric utility shall: (1) Purchase any electrical energy and capacity made available, directly by a private power producer or indirectly under subdivision (4) of this subsection; (2) sell backup electricity to any private power producer in its service territory; (3) make such interconnections in accordance with the regulations adopted pursuant to subsection (h) of this section necessary to accomplish such purchases and sales; (4) upon approval by the Department of Public Utility Control of an application filed by a willing private power producer, transmit energy or capacity from the private power producer to any other such company, cooperative or utility or to another facility operated by the private power producer; and (5) offer to operate in parallel with a private power producer. In making a decision on an application filed under subdivision (4) of this subsection, the department shall consider whether such transmission would (A) adversely impact the customers of the company, cooperative or utility which would transmit energy or capacity to the private power producer, (B) result in an uncompensated loss for, or unduly burden, such company, cooperative, utility or private power producer, (C) impair the reliability of service of such company, cooperative or utility, or (D) impair the ability of the company, cooperative or utility to provide adequate service to its customers. The

department shall issue a decision on such an application not later than one hundred twenty days after the application is filed, provided, the department may, before the end of such period and upon notifying all parties and intervenors to the proceeding, extend the period by thirty days. If the department does not issue a decision within one hundred twenty days after receiving such an application, or within one hundred fifty days if the department extends the period in accordance with the provisions of this subsection, the application shall be deemed to have been approved. The requirements under subdivisions (3), (4) and (5) of this subsection shall be subject to reasonable standards for operating safety and reliability and the nondiscriminatory assessment of costs against private power producers, approved by the Department of Public Utility Control with respect to electric public service companies or determined by municipal electric energy cooperatives and municipal electric utilities.

Sec. 4. Section 16-243a of the general statutes is amended by adding subsection (h) as follows (*Effective October 1, 2006*):

(NEW) (h) Not later than January 1, 2007, the Department of Public Utility Control shall adopt regulations in accordance with the provisions of chapter 54 containing interconnection standards that promote the policies of this section and meet or exceed national standards of interconnectivity. If the department has not adopted regulations by July 1, 2007, each electric public service company, municipal electric energy cooperative and municipal electric utility shall meet the standards adopted by the New York State Public Service Commission in docket number 02-E-1282.

Sec. 5. Subsection (a) of section 16-243q of the 2006 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2006*):

(a) On and after January 1, 2007, each electric distribution company providing standard service pursuant to section 16-244c, as amended, and each electric supplier as defined in section 16-1, as amended, shall demonstrate to the satisfaction of the Department of Public Utility

Control that not less than one per cent of the total output of such supplier or such standard service of an electric distribution company shall be obtained from Class III resources. On and after January 1, 2008, not less than two per cent of the total output of any such supplier or such standard service of an electric distribution company shall, on demonstration satisfactory to the Department of Public Utility Control, be obtained from Class III resources. On or after January 1, 2009, not less than three per cent of the total output of any such supplier or such standard service of an electric distribution company shall, on demonstration satisfactory to the Department of Public Utility Control, be obtained from Class III resources. On and after January 1, 2010, not less than four per cent of the total output of any such supplier or such standard service of an electric distribution company shall, on demonstration satisfactory to the Department of Public Utility Control, be obtained from Class III resources. Electric power obtained from customer-side distributed resources that does not meet air and water quality standards of the Department of Environmental Protection is not eligible for purposes of meeting the percentage standards in this section.

Sec. 6. Section 16-243h of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2006*):

On and after January 1, 2000, each electric supplier or any electric distribution company providing standard offer, transitional standard offer, standard service or back-up electric generation service, pursuant to section 16-244c, as amended, shall give a credit for any electricity generated by a residential or commercial customer from a Class I renewable energy source or a hydropower facility that has a nameplate capacity rating of one megawatt or less. The electric distribution company providing electric distribution services to such a customer shall make such interconnections necessary to accomplish such purpose. An electric distribution company, at the request of any residential customer served by such company and if necessary to implement the provisions of this section, shall provide for the installation of metering equipment that (1) measures electricity

consumed by such customer from the facilities of the electric distribution company, (2) deducts from the measurement the amount of electricity produced by the customer and not consumed by the customer, and (3) registers, for each billing period, the net amount of electricity either (A) consumed and produced by the customer, or (B) the net amount of electricity produced by the customer. If the customer is a net producer over the billing period, any excess kilowatt hours generated during the billing period shall be carried over and credited to the next billing period until the end of twelve months. At the end of each twelve-month period, in which the electricity generated by the customer exceeds the electricity supplied by the electric distribution company to that customer during that same twelve-month period, the electric distribution company shall compensate the customer for all such excess electricity at the rate of one cent per kilowatt hour. A residential or commercial customer who generates electricity from a generating unit with a name plate capacity of more than ten kilowatts of electricity pursuant to the provisions of this section shall be assessed for the competitive transition assessment, pursuant to section 16-245g and the systems benefits charge, pursuant to section 16-245*l*, as amended, based on the amount of electricity consumed by the customer from the facilities of the electric distribution company without netting any electricity produced by the customer. **[**For purposes of this section, "residential customer" means a customer of a single-family dwelling or multifamily dwelling consisting of two to four units.**]**

Sec. 7. Subsection (a) of section 16-245a of the 2006 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2006*):

(a) (1) **[**On and after January 1, 2004, an electric supplier and an electric distribution company providing transitional standard offer pursuant to section 16-244c shall demonstrate to the satisfaction of the Department of Public Utility Control that not less than one per cent of the total output or services of such supplier or distribution company shall be generated from Class I renewable energy sources and an

additional three per cent of the total output or services shall be from Class I or Class II renewable energy sources. On and after January 1, 2005, not less than one and one-half per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional three per cent of the total output or services shall be from Class I or Class II renewable energy sources. On and after January 1, 2006, an**]** An electric supplier and an electric distribution company providing standard service or supplier of last resort service, pursuant to section 16-244c, as amended, shall demonstrate:

(A) On and after January 1, 2006, that not less than two per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional three per cent of the total output or services shall be from Class I or Class II renewable energy sources; **[**.**]**

(B) On and after January 1, 2007, not less than three and one-half per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources and an additional three per cent of the total output or services shall be from Class I or Class II renewable energy sources; **[**.**]**

(C) On and after January 1, 2008, not less than five per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources, an additional one-half per cent shall be from Class I renewable energy sources that received funding from the Renewable Energy Investment Fund, and an additional three per cent of the total output or services shall be from Class I or Class II renewable energy sources; **[**.**]**

(D) On and after January 1, 2009, not less than six per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources, an additional one per cent shall be from Class I renewable energy sources that received funding from the Renewable Energy Investment Fund, and an additional three per cent of the total output or services shall be

from Class I or Class II renewable energy sources; **[**.**]**

(E) On and after January 1, 2010, not less than seven per cent of the total output or services of any such supplier or distribution company shall be generated from Class I renewable energy sources, an additional two per cent shall be from Class I renewable energy sources that received funding from the Renewable Energy Investment Fund, and an additional three per cent of the total output or services shall be from Class I or Class II renewable energy sources.

(2) An electric supplier or electric distribution company may satisfy the requirements of this subsection, except with regard to the sources that received funding from the Renewable Energy Investment Fund, established in section 16-245n, as amended by this act, by (A) purchasing Class I or Class II renewable energy sources within the jurisdiction of the regional independent system operator, or* within the jurisdiction of New York, Pennsylvania, New Jersey, Maryland, and Delaware, provided the department determines such states have a renewable portfolio standard that is comparable to this section; or (B) by participating in a renewable energy trading program within said jurisdictions as approved by the Department of Public Utility Control.

(3) Any supplier who provides electric generation services solely from a Class II renewable energy source shall not be required to comply with the provisions of this section.

Sec. 8. Subsection (a) of section 16-245n of the 2006 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2006*):

(a) For purposes of this section, "renewable energy" means solar energy, wind, ocean thermal energy, wave or tidal energy, fuel cells, landfill gas, hydropower that will meet the low-impact standards of the Low-Impact Hydropower Institute, hydrogen production and hydrogen conversion technologies, low emission advanced biomass conversion technologies, usable electricity from combined heat and power systems with waste heat recovery systems, thermal storage

systems and other energy resources and emerging technologies which have significant potential for commercialization and which do not involve the combustion of coal, petroleum or petroleum products, municipal solid waste or nuclear fission.

Sec. 9. Subsection (c) of section 16-245n of the 2006 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2006*):

(c) There is hereby created a Renewable Energy Investment Fund which shall be administered by Connecticut Innovations, Incorporated. The fund may receive any amount required by law to be deposited into the fund and may receive any federal funds as may become available to the state for renewable energy investments. Connecticut Innovations, Incorporated, may use any amount in said fund for expenditures in the state which promote investment in renewable energy sources in accordance with a comprehensive plan developed by it to foster the growth, development and commercialization of renewable energy sources, related enterprises and stimulate demand for renewable energy and deployment of renewable energy sources which serve end use customers in this state. Such expenditures may include, but not be limited to, grants, direct or equity investments, contracts or other actions which support research, development, manufacture, commercialization, deployment and installation of renewable energy technologies, and actions which expand the expertise of individuals, businesses and lending institutions with regard to renewable energy technologies.

Sec. 10. Subdivision (57) of section 12-81 of the 2006 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2006, and applicable to assessment years commencing on or after October 1, 2006*):

(57) (a) Subject to authorization of the exemption by ordinance in any municipality, **[**any Class I renewable energy source, as defined in section 16-1, or**]** (A) any hydropower facility described in subdivision (27) of **[**said**]** section 16-1, as amended, installed for the generation of

electricity for private residential use, provided such installation occurs on or after October 1, 1977, and further provided such installation is for a single family dwelling or multifamily dwelling consisting of two to four units, (B) any Class I renewable energy source, as defined in section 16-1 of the 2006 supplement to the general statutes, or (C) any passive solar heating system;

(b) Any person claiming the exemption provided in this subdivision for any assessment year shall, on or before the first day of November in such assessment year, file with the assessor or board of assessors in the town in which such hydropower facility, Class I renewable energy source, or passive solar heating system is located, written application claiming such exemption. Failure to file such application in the manner and form as provided by such assessor or board within the time limit prescribed shall constitute a waiver of the right to such exemption for such assessment year. Such application shall not be required for any assessment year following that for which the initial application is filed, provided if such hydropower facility, Class I renewable energy source, or passive solar heating system is altered in a manner which would require a building permit, such alteration shall be deemed a waiver of the right to such exemption until a new application, applicable with respect to such altered source, is filed and the right to such exemption is established as required initially.

Sec. 11. Subdivision (63) of section 12-81 of the 2006 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2006, and applicable to assessment years commencing on or after October 1, 2006*):

(63) (a) Subject to authorization of the exemption by ordinance in any municipality and to the provisions of subparagraph (b) of this subdivision, **[**any solar energy electricity generating system which is not eligible for exemption under subdivision (57) of this section,**]** any cogeneration system **[**, or both,**]** installed on or after July 1, 1981, and before October 1, 2006. The ordinance shall establish the number of years that a system will be exempt from taxation, except that it may

not provide for an exemption beyond the first fifteen assessment years following the installation of a system. The ordinance shall prohibit the exemption from applying to additions to resources recovery facilities operating on October 1, 1994, or to resources recovery facilities constructed on and after that date and may prohibit the exemption from applying to property acquired by eminent domain for the purpose of qualifying for the exemption;

(b) As used in this subdivision, **[**(A) "solar energy electricity generating system" means equipment which is designed, operated and installed as a system which utilizes solar energy as the energy source for at least seventy-five per cent of the electricity produced by the system and meets the standards established by regulation, in accordance with the provisions of chapter 54, by the Secretary of the Office of Policy and Management, and (B)**]** "cogeneration system" means equipment which is designed, operated and installed as a system which produces, in the same process, electricity and exhaust steam, waste steam, heat or other resultant thermal energy which is used for space or water heating or cooling, industrial, commercial, manufacturing or other useful purposes and which meets standards established by regulation, in accordance with the provisions of chapter 54, by the Secretary of the Office of Policy and Management;

(c) Any municipality which adopts an ordinance authorizing an exemption provided by this subdivision may enter into a written agreement with an applicant for the exemption, which may require the applicant to make payments to the municipality in lieu of taxes. The agreement may vary the amount of the payments in lieu of taxes in each assessment year of the agreement, provided the payment in any assessment year is not greater than the taxes which would otherwise be due in the absence of the exemption. Any agreement negotiated under this subdivision shall be submitted to the legislative body of the municipality for its approval or rejection;

(d) Any person claiming the exemption provided in this subdivision for any assessment year and whose application has been approved in

accordance with subparagraph (c) of this subdivision shall, on or before the first day of November in such assessment year, file with the assessor or board of assessors in the town in which the system is located written application claiming the exemption. Failure to file the application in the manner and form as provided by such assessor or board within the time limit prescribed shall constitute a waiver of the right to the exemption for such assessment year. Such application shall not be required for any assessment year following that for which the initial application is filed, provided if such **[**solar energy electricity generating system or**]** cogeneration system is altered in a manner which would require a building permit, such alteration shall be deemed a waiver of the right to such exemption until a new application, applicable with respect to such altered system, is filed and the right to such exemption is established as required initially.

Sec. 12. Section 12-412 of the 2006 supplement to the general statutes is amended by adding subdivision (117) as follows (*Effective July 1, 2006, and applicable to sales occurring on or after July 1, 2006*):

(NEW) (117) Sales of solar energy electricity generating systems and passive solar heating systems, including equipment related to such systems, and sales of services relating to the installation of such systems.

Sec. 13. (NEW) (*Effective October 1, 2006*) An electric supplier or an electric distribution company shall waive a demand charge for an operator of a fuel cell during (1) a loss of power due to problems at an electric generation facility or with the electric transmission or distribution infrastructure, or (2) an unscheduled shutdown of the fuel cell if said shutdown occurs during off-peak hours.

This act shall take effect as follows and shall amend the following sections:		
Section 1	*October 1, 2006*	16-1(a)(26)
Sec. 2	*October 1, 2006*	16-50k(a)
Sec. 3	*October 1, 2006*	16-243a(b)

Sec. 4	*October 1, 2006*	16-243a
Sec. 5	*October 1, 2006*	16-243q(a)
Sec. 6	*October 1, 2006*	16-243h
Sec. 7	*October 1, 2006*	16-245a(a)
Sec. 8	*October 1, 2006*	16-245n(a)
Sec. 9	*October 1, 2006*	16-245n(c)
Sec. 10	*October 1, 2006, and applicable to assessment years commencing on or after October 1, 2006*	12-81(57)
Sec. 11	*October 1, 2006, and applicable to assessment years commencing on or after October 1, 2006*	12-81(63)
Sec. 12	*July 1, 2006, and applicable to sales occurring on or after July 1, 2006*	12-412
Sec. 13	*October 1, 2006*	New section

ET *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 07 $	FY 08 $	
All	Various - Cost/Savings	Potential Indeterminate	Potential Indeterminate	Potential Indeterminate
Department of Revenue Services	GF - Revenue Loss	Less than 100,000	Less than 100,000	Less than 100,000

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 07 $	FY 08 $	
All Municipalities	See Below	See Below	See Below	See Below

Explanation

The bill requires electric utilities and suppliers to obtain an additional percentage of their power from Class I renewable energy resources that received funding from the Connecticut Clean Energy Fund and that such sources are located in Connecticut. To the extent that this portion of the bill increases the percentage of power which utilities and suppliers must obtain from renewable energy resources, it could cause an increase in electric rates. Therefore, as rate payers the state and municipalities could experience an increase in costs. The bill also makes other changes to the state's metering law and certain requirements for electric generating facilities which could impact rates. However, it is uncertain how much rates would increase, or if they will increase at all.

The bill also broadens the definition of Class I resources to include certain waste heat recovery systems. Assuming that waste heat recovery systems are cost effective for utilities' and suppliers' purposes

of meeting the RPS requirement, this could result in a downward price pressure in electric rates. As rate payers the state and municipalities could experience a savings.

Section 12 of the bill exempts from the sales tax solar electric generating equipment and passive solar heating systems, which is anticipated to result in a General fund revenue loss of less than $100,000 per year beginning in FY 07.

The bill also expands the types of renewable energy systems that municipalities can exempt from the property tax. Therefore, municipalities electing to expand the types of renewable energy systems exempt from property taxes will experience a reduction in their grand list beginning in FY 08 (October 2006 grand list).

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis
sSB 211

AN ACT CONCERNING RENEWABLE ENERGY.

SUMMARY:

This bill expands requirements under the renewable portfolio standard (RPS), which requires that electric utilities and competitive electric suppliers get part of their power from renewable resources. It broadens what counts as a renewable resource.

The bill expands the state's net metering law, which requires utilities and suppliers to pay customers who generate power using renewable resources. It requires a utility or supplier to waive its demand charge for a fuel cell operator during (1) a loss of power caused by problems with generation facilities or the transmission and distribution infrastructure or (2) an unscheduled shutdown of the fuel cell that occurs during off-peak hours.

The bill exempts from the sales tax (1) solar electric generating and passive solar heating systems, (2) related equipment, and (3) related system installation services. It broadens the types of renewable energy systems that municipalities can exempt from the property tax.

The bill requires that certain electric generating facilities comply with Department of Environmental Protection (DEP) water quality standards to be eligible for benefits under utility laws.

By law, electric utilities must interconnect with non-utility generators. The bill requires the Department of Public Utility Control (DPUC) to adopt implementing regulations. It imposes a default standard if DPUC does not adopt regulations by July 1, 2007.

By law, Connecticut Innovations, Inc. administers the Clean Energy

Fund, which makes investments in renewable energy technology. The bill requires that such investments be located in Connecticut. It also allows the fund to invest in hydropower technology that meets the low-impact standards of the Low-Impact Hydropower Institute.

EFFECTIVE DATE: October 1, 2006, except that the sales tax exemption is effective July 1, 2006 and applicable to sales on or after that date. The property tax provisions are applicable to assessment years starting on or after October 1, 2006.

RENEWABLE PORTFOLIO STANDARD

By law, utilities and suppliers must procure part of the power they sell from class I renewable resources such as wind and solar power. Under current law, they must obtain 5% of their power from such resources in 2008, 6% in 2009, and 7% in 2010 and subsequent years. The bill requires utilities and suppliers to obtain an additional 0.5% of their power in 2008 from class I resources that received funding from the state's Clean Energy Fund. This increases to 1% in 2009 and 2% in 2010 and subsequent years.

Under current law, utilities can meet the RPS (1) by buying power from sources in New England; (2) by buying power from sources in Delaware, Maryland, New Jersey, New York, or Pennsylvania, starting January 1, 2010, if the Department of Public Utility Control (DPUC) determines that they have portfolio standards comparable to Connecticut's RPS; or (3) by participating in a DPUC-approved energy trading program in these regions. The bill requires that the power bought from sources that received funding from the Clean Energy Fund be from sources located in Connecticut.

The bill broadens class I resources to include waste heat recovery systems, installed on or after July 1, 2006, that produce electrical or thermal energy by capturing existing waste heat or pressure from industrial or commercial processes.

NET METERING

By law, electric utilities and competitive suppliers must give a credit

to their residential customers who generate electricity using class I renewable resources or hydropower. The law imposes additional requirements on the utilities, such as providing electric meters that in effect, run backwards when the customer generates power.

The bill expands these provisions to cover residential buildings that have more than four units and commercial customers, although it limits the provisions to renewable resources that have a nameplate capacity of up to one megawatt (the amount of generating capacity needed to supply approximately 700 homes).

The bill specifies that if a customer produces more power than he uses in a billing period (usually a month), the excess number of kilowatt-hours must be carried over and credited to the next billing period, and so on until the end of 12 months. If, at the end of the 12 months, the amount of power generated by the customer exceeds the amount he has used, the utility must compensate him at the rate of 1 cent per kilowatt-hour.

By law, residential customers with generating units of 10 kilowatts or larger must pay the systems benefits charge and competitive transition assessment based on their gross, rather than net, electric consumption. The bill extends this requirement to commercial net metering customers. The systems benefits charge pays for various social policy costs, e.g., the costs of protecting hardship customers from shut-offs in the winter. The competitive transition assessment covers the utilities' stranded costs, e.g., investments in power plants made by the utilities with DPUC approval, whose recovery was jeopardized with the opening of the electric market to competition.

LOCAL OPTION PROPERTY TAX EXEMPTION FOR RENEWABLE ENERGY SYSTEMS

Under current law, municipalities can adopt ordinances exempting renewable resources from property tax. In the case of most class I resources and hydropower that does not meet class I criteria, the exemption is limited to facilities used for residential purposes in one-to

four-family dwellings. Municipalities can also exempt solar electric generation facilities (a type of class I resource) used for nonresidential purposes, but the exemption is limited to 15 tax years and expires on October 1, 2006.

The bill expands the exemption to include all class I resources and passive solar heating systems, in both cases with no restriction on how the resource or system is used or on how long the exemption can run. It also makes minor related changes.

COMPLIANCE WITH DEP WATER QUALITY STANDARDS

By law, the Connecticut Siting Council must approve the construction of distributed generating facilities by declaratory ruling (an expedited procedure) so long as the project meets DEP air quality standards. The bill additionally requires that the project meet DEP water quality standards. By law, such projects can be located on or off the premises of a customer, and must have a capacity of no more than 65 megawatts. (Traditional power plants generally have a capacity of 500 or more megawatts.)

By law, electric utilities and competitive suppliers must meet part of their demand from class III renewable resources, which includes certain customer premises distributed generating facilities. The bill makes facilities that do not meet DEP water quality standards ineligible to participate in this program.

INTERCONNECTION STANDARDS

By law, electric utilities (including municipal electric utilities) must interconnect with non-utility generators. The bill requires DPUC to adopt regulations by January 1, 2007 that meet or exceed national standards. (Interconnection standards deal with such things as the transformers that connect generating facilities with transmission lines.) If DPUC has not adopted these regulations by July 1, 2007, each of the utilities and each municipal electric energy cooperative must meet New York State's interconnection standards.

COMMITTEE ACTION

Energy and Technology Committee

Joint Favorable Substitute
Yea 18 Nay 0 (03/07/2006)